

NOV 2 0 2013

SECRETARY, BOARD OF OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING DEPARTMENT OF NATURAL RESOURCES STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF BILL BARRETT CORPORATION FOR AN ORDER AUTHORIZING THE DIRECTIONAL DRILLING OF THE FD 3-29D-2-2 WELL IN SECTION 29, T2S, R2E, USM, THE FD 5-17D-2-2 WELL IN SECTION 17, T2S, R2E, USM, THE FD 9-9D-6-19 WELL IN SECTION 9, T6S, R19E, SLM, AND THE FD 14-21D-5-19 WELL IN SECTION 21, T5S, R19E, SLM, UINTAH COUNTY, UTAH, AND THE SA 16-27D-23 WELL IN SECTION 27, T2S, R3W, USM, AND SA 14-26D-22 WELL IN SECTION 26, T2S, R2W, USM, DUCHESNE COUNTY, UTAH

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

Docket No. 2013-033

Cause No. 131-135

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, October 23, 2013, at approximately 10:15 a.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Kelly L. Payne, Carl F. Kendell and Michael R. Brown. Board Members Chris D. Hansen and Susan S. Davis were unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Bill Barrett Corporation ("BBC") was David M. Watts – Land Manager. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for BBC.

The Division of Oil, Gas and Mining (the "Division") filed a Staff Memorandum on October 17, 2013 addressing the applicability of Utah Admin. Code Rule R649-3-11(1.1) in general, but expressing support for granting BBC's Request for Agency Action dated September 10, 2013 (the "Request"). Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division. Mr. Alder made a statement expressing the Division's support for the granting of the Request, as conformed to the testimony and other evidence provided at the hearing.

No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. BBC is a Delaware corporation with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is

fully and appropriately bonded with all relevant, Federal, Indian and State of Utah agencies.

2. By Order entered August 11, 1971 in Cause No. 131-14 (the "131-14 Order"), the Board established the following South Altamont area lands as sectional drilling units for the production of oil, gas and associated hydrocarbons from the Lower Green River and Wasatch formations, defined as follows:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW¼NW¼, Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard well located in the NW¼SE¼ of said [Section 3]), to the base of the Green River-Wasatch formations,

(the "Subject Formations"):

A) T2S, R2W, USM

Sec. 26: All

B) <u>T2S, R3W, USM</u>

Sec. 27: All,

and allowed one well on each such drilling unit, which could not be located closer than 1,320 feet from the drilling unit boundaries.

3. By Order entered April 16, 1975 in Cause No. 131-27 (the "131-27 Order"), the Board extended the 131-14 Order to the following Fort Duchesne area lands but, due to the existence of the Uintah Special Meridian line which traverses through said

lands, created the following special drilling units for the Subject Formations, subject to the same well density and set backs outlined in the 131-14 Order:

| C_{i} | | TOO DOE HOM |
|---------|---|---|
| C) | | T2S, R2E, USM |
| | Sec. 28: | $W^{1}/_{2}NW^{1}/_{4}$ |
| | Sec. 29: | All |
| D) | | T2S, R2E, USM |
| | Sec. 17: | $W^{1}/_{2}NW^{1}/_{4}$ |
| | Sec. 18: | Lots 1-13, that portion of MS38 (Carbon No. 2 Lode Mining Claim) |
| | lving the | rein, N½NE¼, SE¼NE¼, |
| | SE ¹ / ₄ SW ¹ / ₂ | |
| E) | | TOO DOE HOM |
| E) | | T2S, R2E, USM |
| | Sec. 16: | Lot 1 [All] |
| | Sec. 17: | Lots 1-5, W½SE¼, |
| | | SW ¹ / ₄ , E ¹ / ₂ NW ¹ / ₄ |
| | | <u>T6S, R19E, SLM</u> |
| | Sec. 9: | That portion of Resurvey |
| | | Tract 42 lying therein [inclusive of what would otherwise be the NEWSEW] |
| | | what would otherwise be the NE¼SE¼] |
| F) | | T5S, R19E, SLM |
| | | |

4. The lands described in Findings of Fact Nos. 2 and 3 above are hereinafter collectively referred to as the "Subject Lands."

Sec: 21: All.

- 5. By Order entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order"), the Board modified the 131-14 and 131-27 Orders, among other orders, to provide that additional wells which produce from the Subject Formations may be drilled, completed, and produced on the established drilling units to a density of no greater than two producing wells in each unit. Additional wells may be drilled at the option of the operator of the unit based upon geologic and engineering data for that unit which will justify an additional well in order to recover oil, provided that said operator would have a reasonable opportunity to recover costs of drilling, completing, producing and operating a well plus a reasonable profit. Any additional well must be located at least 1,320 feet from an existing well in the unit and not closer than 660 feet from the exterior boundary of the unit, and no two wells may be drilled in the same quarter section.
- 6. By Order entered on May 9, 2012 in Cause No. 139-90 (the "139-90 Order"), the Board further modified the 131-14 and 139-42 Orders, as relating to the lands described in Findings of Fact No. 2 above only, to allow up to four (4) wells which produce from the Subject Formations, whether all vertical, all horizontal or a combination of both, upon each drilling unit established under said orders, to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon resources; provided that each additional well shall be no closer than 1,320

feet from an existing unit well completed in and producing from the formations and no closer than 660 feet from the drilling unit boundary.

7. BBC, as majority working interest owner in the respective associated drilling units, desires to directionally drill the following wells on the Subject Lands, all targeting production from the Subject Formations:

| <u>Well</u> | $\underline{\mathbf{SHL}}$ | BHL | | | | |
|---------------------------------|--|--|--|--|--|--|
| FD 3-29D-2-2 | T2S, R2E, USM Sec. 29: NE ¹ / ₄ NW ¹ / ₄ (300' FNL/ 1925' FWL) | T2S, R2E, USM Sec. 29: NE ¹ / ₄ NW ¹ / ₄ (660' FNL/ 1980' FWL) | | | | |
| FD 5-17D-2-2 | T2S, R2E, USM Sec. 17: SW¼NW¼ (1550' FNL/500' FWL) | T2S, R2E, USM Sec. 17: SW¼NW¼ (1980' FNL/660' FWL) | | | | |
| FD 9-9D-6-19 | T6S, R19E, SLM Sec. 9: NE ¹ / ₄ SE ¹ / ₄ (2950' FNL/225' FEL) | T6S, R19E, SLM Sec. 9: NE ¹ / ₄ SE ¹ / ₄ (3300' FNL/660' FEL) | | | | |
| FD 14-21D-5-19 | T5S, R19E, SLM Sec. 21: SE ¹ / ₄ SW ¹ / ₄ (410' FSL/2299' FWL) | T5S, R19E, SLM Sec. 21: SE½SW¼ (660' FSL/1988' FWL) | | | | |
| all in Uintah County, Utah; and | | | | | | |
| Well | SHL | BHL | | | | |
| SA 16-27D-23 | T2S, R3W, USM Sec. 27: SE ¹ / ₄ SE ¹ / ₄ (325' FSL/237' FEL) | T2S, R3W, USM Sec. 27: SE ¹ / ₄ SE ¹ / ₄ (810' FSL/810' FEL) | | | | |

| SA 14-26D-22 | T2S, R2W, USM | T2S, R2W, USM | |
|--------------|--|--|--|
| | Sec. 26: SE ¹ / ₄ SW ¹ / ₄ | Sec. 26: SE ¹ / ₄ SW ¹ / ₄ | |
| | (415' FSL/1808' FWL) | (810' FSL/1980' FWL) | |

all in Duchesne County, Utah (collectively the "Subject Wells"). All are authorized under the current well density allowed under the applicable Board Orders outlined above. However, due to surface owner accommodations made pursuant to the provisions of the Utah Surface Owner Protection Act of 2012 (Utah Code Ann. § 40-6-20, *et seq.*) or other topographic or environmental constraints, five of the six surface locations and portions of those wellbores will be located closer to the respective drilling unit boundaries than the set backs set forth in said Orders. Notwithstanding, the surface location of the sixth well (the FD 5-17D-2-2 Well), and the points of first intersection with the Subject Formations, the anticipated productive intervals and the bottom hole locations of all of the Subject Wells, are within the allowed set backs.

8. BBC filed conforming applications for permit to drill ("APD's") for the Subject Wells with the Division on the following dates.

| Well | APD Filing Date |
|----------------|------------------------|
| FD 3-29D-2-2 | 5/16/13 |
| FD 5-17D-2-2 | 6/17/13 |
| FD 9-9D-6-19 | 6/18/13 |
| FD 14-21D-5-19 | 11/9/12 |

SA 16-27D-23

2/8/13

SA 14-26D-22

5/17/13

The Division has not yet approved the APD's because the written consents of all owners within a 460-ft. radius of all points along each such well to such directional drilling have not been provided and, pursuant to Utah Admin. Code Rules R649-3-10 and R649-3-11(1.1), the Division cannot approve the APD's with directional drilling without receiving such consents or without Board authorization.

- 9. BBC has attempted to solicit the written consent of all "owners" within a 460-foot radius of the Subject Wells, but certain owners either have been unresponsive or are unlocatable despite BBC's good faith efforts to locate them.
- 10. BBC has acknowledged, agreed and stipulated that, if an uphole completion closer than the existing set backs is subsequently proposed, an exception location approval in accordance with Utah Admin. Code Rule R649-3-3 (or subsequently enacted equivalent regulation) will be required.
- 11. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed to all owners within a 460-foot radius of all points along each of the Subject Wells to said parties at their last addresses disclosed by the Uintah County realty records.

- 12. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard on October 1, 2013, the Vernal Express on October 2, 2013 and in the Salt Lake Tribune and the Deseret Morning News on October 6, 2013.
- 13. The vote of the Board members present and participating in the hearing on this Cause was unanimous (4-0) in favor of granting the Request.

CONCLUSIONS OF LAW

- 1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.
- 2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. § 40-6-5(3)(b) and Utah Admin. Code Rules R649-3-10 and 11.
- 3. The requested directional drilling of the Subject Wells is fair, reasonable and justified under the circumstances and should be authorized.
- 4. With the intersection of the wellbores with the Subject Formations, all projected productive intervals and bottom hole locations within the specified set backs

under the 131-14, 131-24, 139-42 and 139-90 Orders, correlative rights are protected, the notices provided as described in the findings of fact satisfy the applicable rules, and no additional well location approvals for the Subject Wells are required to process the APD's.

5. BBC has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for the granting of the Request.

<u>ORDER</u>

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

- 1. The Request in this cause is granted.
- 2. The directional drilling of the Subject Wells as outlined in Findings of Fact Paragraph 7 above is hereby authorized and will require no additional well location approvals for their drilling.
- 3. Presuming the APD's are complete in all other respects as required under Division regulations, the Division is hereby directed to approve the APD's for the Subject Wells as soon as its administrative work load will allow.
- 4. Should BBC or its successor operator of the Subject Wells subsequently propose operations which will result in productive intervals outside of the setbacks allowed under the applicable Board Orders, it will be required to obtain exception

location approval in accordance with Utah Admin. Code Rule R649-3-3 (or subsequently entered similar regulation) before a sundry notice or APD for such operations may be approved and allowed.

- 5. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. § 63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.
- 6. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. § 63G-4-208 and Utah Administrative Code Rule R641-109.
- Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§ 63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which

constitutes a final agency action of the Board. Utah Code Ann. § 63G-4-302, entitled, "Agency Review – Reconsideration," states:

- (1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.
- (b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.
- (2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.
- (3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.
- (b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.
- Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, "Rehearing and Modification of Existing Orders," states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for

Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302

and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this

matter, the Board hereby rules that the later of the two deadlines shall be available to any

party moving to rehear this matter. If the Board later denies a timely petition for

rehearing, the party may still seek judicial review of the Order by perfecting a timely

appeal with the Utah Supreme Court within 30 days thereafter.

The Board retains continuing jurisdiction over all the parties and over the subject

matter of this cause, except to the extent said jurisdiction may be divested by the filing of

a timely appeal to seek judicial review of this order by the Utah Supreme Court.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be

deemed the equivalent of a signed original.

DATED this 20^{th} day of November, 2013

STATE OF UTAH

BOARD OF OIL, GAS AND MINING

Bv:

uland J. Gill, Jr., Chairman

1000.27

13

CERTIFICATE OF MAILING

I hereby certify that on this 21st day of November, 2013, I caused a true and Correct Copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER** for Docket No. 2013-033, Cause No. 131-135, to be served via Email or US Mail properly addressed with postage prepaid upon each of the following:

Frederick M. MacDonald, Esq. MACDONALD & MILLER MINERAL LEGAL SERVICES, PLLC 7090 S. Union Park Avenue, Suite 420 Salt Lake City, UT 84047

Bill Barrett Corporation Attention: David Watts, Landman 1099 18th Street, Suite 2300 Denver, CO 80202

Michael S. Johnson Assistant Attorney General Utah Board of Oil, Gas & Mining 1594 West North Temple, Suite 300 Salt Lake City, UT 84116 Via Email Steven F. Alder Assistant Attorney General Utah Board of Oil, Gas & Mining 1594 West North Temple, Suite 300 Salt Lake City, UT 84116 Via Email

Edlean Emily Abegglen 355 W. 2nd North Vernal, UT 84078 [Undeliverable]

Dawnelle Anderson P.O. Box 46412 Seattle, WA 98146 [Undeliverable]

Hilda Asakanase 5050 Woodway, Apt. 8-P Houston, TX 77056 [Undeliverable] Gwen G. And Frank Beard 957 E. Aspen Fruita, CO 81521

Mary Ellen Slemaker Benien P.O. Box 701407 Tulsa, OK 74170 Betty Berger 5786 Westminster Place St. Louis, MO 63112-1627

Ethel J. Boyle 6103 Woodway Dr. Houston, TX 77057 [Undeliverable] Rheba Bregman Suite 320 Post Oak Road Houston, TX 77024 [Undeliverable] Tracie Brown 2735 Knobb Hill Dr. Connley Springs, Nc 28612

Club Oil & Gas Ltd. 1777 S. Harrison St. Denver, CO 80210

Covey Minerals, Inc. C/O Gary R. Nelson 2733 East Parleys Way, Suite 304 Salt Lake City, UT 84109

Diana F. Crispi 2801 Oakhurst Avenue Los Angeles, CA 90034

Deaton Investments 5415 Chevy Chase Parkway Nw Washington, D.C. 20015

Vincent Joseph Duncan P.O. Box 211 Lasalle, IL 61301 [Undeliverable]

Evan H. Dunn, Jr. 306 Parkland Plaza Building 2121 South Columbia Tulsa, OK 74114 [Undeliverable]

Encana Oil And Gas (Usa) Inc. Attn: Judy Tatham 370 17th Street, Suite 1700 Denver, CO 80202 Leah M. Cheever 1427 Penrose Dr. Salt Lake City, UT 84103-4465 [Undeliverable]

Lorene M. Conrad C/O Freidrich W. Conrad, Jr. 2202 Stanmore Drive Houston, TX 77019 [Undeliverable]

Crescent Point Energy U.S. Corp. Attn: Anthony Baldwin 555 17th Street, Suite 1800 Denver, CO 80202

Croff Oil Company 240 St. Paul St., Suite 305 Denver, CO 80206

A.W. Dugan 1212 Main St., Suite 1400 Houston, TX 77002 [Undeliverable]

Raymond Twomey Duncan 1777 S. Harrison St. Denver, CO 80210

Frederick L. Dunn, Jr. 306 Parkland Plaza Building 2121 South Columbia Tulsa, OK 74114 [Undeliverable]

Ep Energy E&P Company Lp Attn: Orion Mitchell P.O. Box 4660 Houston, TX 77252-4660 Patricia Reeder Eubank 3350 Calle Bonita San Ynez, CA 93460

Barry Fisherman 77 West 24th Street, Apt. 30 New York City, NY 10010

Wesley Galloway-Kent 65 Bonnie View Drive Trumbull, CT 06611

Sheryl Hartwell 64 Laurie Dr. Ne Fort Walton Beach, FL 32548

Ardon S. Hawkins 569 N. 700 East Mapleton, UT 84663 [Undeliverable]

J. Walter Duncan, Inc. 100 Park Avenue, Suite 1200 Oklahoma City, OK 73102

Leonidas Ludwell Jones, Iii 4455 Camp Bowiem, Suite 114, Pmb 27 Fort Worth, TX 76107

Bernice Leiderman 1000 Lake Shore Drive, Apt. 27b Chicago, IL 60600 [Undeliverable]

Robert Douglas Maritan 1627 Cambridge Road Fayetteville, AR 72701 Freddie Sue Fisherman 10322 Stardust Boise, ID 83701

Bessie Lewis Fisherman 3642 Tarton Lane Houston, TX 77025 [Undeliverable]

George Marion Calder Trust 116 West 500 North Vernal, UT 84078

Harold E. Hawkins King's Ranch, Laurles Division Kingsville, TX 78363 [Undeliverable]

Cindy Lee G. Henderson 710 S. Woodland Hills Dr. Woodland Hills, UT 84653

Eldon Lewis Jones 260 Riverside Drive, Apt. 6a New York City, NY 10025

Jwd Iii Inc. 1777 S. Harrison St. Denver, CO 80210

Edith S. Lewis 14 E. Greenway Plaza, Apt. 20p Houston, TX 77046

Evan R. Lusty 3595 Chula Drive West Valley City, UT 84120 [Undeliverable] George P. Mitchell And Mitchell Energy Company 2002 Timberloch Place, Suite 240 The Woodlands, TX 77380 [Undeliverable]

Jeff Nicora 5618 Eastridge Dr. Sacramento, CA 95842

Lindsay Noble 720 Arbor Dr. San Leandro, CA 94577

Page Petroleum Inc. 1100 Royal Bank Building 335 8th Avenue Calgary, AB Canada T2P 1C9

Penroc Oil Corporation P.O. Box 2769 Hobbs, NM 88241

Raymond T. Duncan Oil Properties, Ltd. 1777 S. Harrison St. Denver, CO 80210

Elizabeth Sanford Jones Reel 10811 Pepper Lane Houston, TX 77079-3602 [Address updated 10/8/2013]

Linda Robertson F/K/A Linda Kappenman 810 Se Gravenstein Court Snoqualmie, WA 98065 Newfield Exploration Company Attn: Shane Gillespie 1001 17th Street, Suite 2000 Denver, CO 80202

Laurence Scott Noble 4052 Ondine Circle Huntington Beach CA 92649-3014 [Address updated 9/30/2013]

Estate Of Jeffrey J. Noble C/O Monette Noble 2707 S St. Sacramento, CA 95816-7317

Pec Minerals Lp 14860 Montfort Dr., Suite 209 Dallas, TX 75254

Qep Energy Company 1050 17th Street, Suite 500 Denver, CO 80265

James C. Reeder 512 N. Foothill Rd. Beverly Hills, CA 90210-3402

Robert L. Bayless Producer, Llc Attn: Cranford Newell 621 17th Street, Suite 2300 Denver, CO 80293

Estate Of Evajune Rosdahl C/O Alan B. Rosdahl 10707 128th Avenue Ne Kirkland, WA 98033 Marsha J. Rueff 1130 Trailridge Lane Dunwoody, GA 30338

Christine Stoker Shortt 6600 Valley Side Rd., Apt. A Austin, TX 78731 [Undeliverable]

Mary Rebecca Stoker 1602 Sw 6th St. Ardmore, OK 73401 [Undeliverable]

T.C. Craighead & Company P.O. Box 576 Ardmore, OK 73402

Charlynn G. Unbedacht 10332 210th St. Se Snohomish, WA 98296

Wells Fargo Bank NA, Trustee of the Mary Kathryn Carson Irrevocable Trust C/O Oil, Gas & Mineral Management P.O. Box 1959 Midland, TX 79702 Servipetrol Inc.
P.O. Box 171146
Salt Lake City, UT 84117
[Undeliverable]

Marylin Stoker 26 Francis Heldton, OK 73438 [Undeliverable]

Adolph O. Susholtz 5005 Riverway, Suite 350 Houston, TX 77056 [Undeliverable]

Raybourne Thompson 1307 First City National Bank Bldg. Houston, TX 77002 [Undeliverable]

WDE Oil Properties 100 Park Avenue Bldg. Oklahoma City, OK 73102

Julie Am Carter